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STARS MANUAL

ELECTRONIC FUNDS TRANSFER (EFT)

INTRODUCTION

Electronic Funds Transfer (EFT) allows a payment to be electronically deposited in the vendor's checking or savings account. This chapter provides the fundamentals of setting up a vendor in STARS to receive EFT payments.

CURRENT REVISION LOG

March 4, 2002 the State Employees Being Set Up For EFT subsection was corrected.

ELECTRONIC FUNDS TRANSFER (EFT) – WHAT IS IT?

Electronic funds transfer (EFT) is defined as any transfer of funds other than paper instruments. EFT includes Direct Deposit, Fedwire, automated teller machine (ATM), point-of-sale and credit card transactions. An EFT takes advantage of reducing costs, improving convenience, and security utilizing electronic technology.

The Statewide Accounting and Reporting System (STARS) supports EFT transactions. This program is open to all Statewide business vendors, state employees, and has been expanded to recipients (vendors) specific to certain agency programs, such as, child support, Medicaid, insurance fund payments, tax refunds, etc. (In reference to STARS, vendor refers to any person or company receiving payments through STARS via a vendor number.)

ELECTRONIC FUNDS TRANSFER (EFT) – UNDERSTANDING THE BASICS

The EFT processes include:

- Setup
- Prenotes
- Bank Verification
- Notices of change
- Payment process - includes a flowchart of the process, the remittance advice, and the Disbursement Method Indicator (DMI).
- Special treatments and concerns

SETUP

Regular vendor payment transactions initiated through STARS generate a warrant or an electronic funds transfer to the specified vendor. The payment method is set up in the Vendor Edit Table (S021). Agency personnel may view this screen. The bank account information will not be displayed, however, the name of the financial institution will display. Your agency must send the required vendor forms are completed, signed and forwarded to the State Controller's Office (SCO).

All vendor records modified to include bank account information create a zero dollar EFT transaction. The ACH file containing all EFT transactions is picked up daily by the managing financial institution and forwarded to the vendor's financial institution. The initial set up of bank account information requires a prenotification period of six-days. Errors in this information will result in notices of change, which will be sent back through the ACH channels, notifying the State Treasurer's Office (STO). STO in turn will notify the SCO of the notices of change. The SCO will then evaluate the notice of change and take appropriate action. For additional information, see the Notices of Changes section later in this chapter. Until the prenote process is complete, all payments to the specific vendor are sent by paper warrant.

PRENOTES

A prenote is a zero dollar EFT transaction transmitted to the vendor's bank to verify that the ABA number and account number exist and are valid at that bank. The prenote also advises the receiving institution that electronic activity will occur in the recipient's account.

Once the bank account information and prenote are entered in STARS, the nightly batch processing will prepare a prenote transaction and automatically change the prenote indicator on the Vendor Edit Table (S021) from 'P' (data entry prenote) to 'S' (prenote sent to the bank). A six-day waiting period is required during the prenote process.

If any prenote information does not match information at the vendor's bank, a Notice of Change is generated and returned. Corrections or deletions based on the Notices of Change must be completed within the six-day period. After the six-day period has successfully completed, the remaining prenote indicator will then automatically change from 'S' (prenote sent to bank) to 'Y' (EFT in place). All Vendor Tables (S021) with a prenote indicator of 'Y' will receive payments electronically. Unlike paper warrants, electronic payments cannot be intercepted or distributed back to the agencies. The key in the Vendor Edit Table (S021) takes precedence over other warrant write functions.

The SCO currently sends three types of formats, PPD (Prearranged Payment and Deposit Entry), CCD Plus (Cash Concentration or Disbursement the Plus application allows for payment related data in the addenda record), and CTX (Corporate Trade Exchange). The SCO uses the PPD format to process tax refunds and does not attach an addenda or information record. CCD Plus is used for child support payments. This format includes one addenda record. CTX is used for all other payments. Currently, the CTX format used by the SCO contains no addenda information.

Below is an example of the Vendor Edit Table (S021) for AT&T. Notice the Prenote indicator is 'Y'. Therefore, AT&T receives their payments from the State for this particular account and ABA combination, by EFT.

Vendor Edit Table S021 for AT&T

VERSION 3.1	STARS--VENDOR EDIT TABLE MAINTENANCE/INQUIRY	S021
FUNCTION: R (A=ADD, C=CHANGE, D=DELETE, N=NEXT, R=RECALL)		
VENDOR NUMBER: 134924710 00 DMI: VENDOR AGY: 000 DUE DAY(DD):		
VEND TYPE: C VEND STATUS: 0 CHG AGY: W-9 AGY: 140 1099 NAME/ADDR:		
SORT SEQUENCE: AT&T SS EIN NUMBER: 134924710 1099 INDICATOR: N		
VENDOR NAME...: A T & T		
VENDOR NAME 2: ATTN JUSTIN JUSTY		
VENDOR ADDRESS: 6021 S RIO AVE ROOM 3N2-670		
CITY: ORLANDO STATE: FL ZIP CODE: 32809		
PHONE: 407 858 6726 CONTACT NAME: JUSTIN JUSTY EDI COORDINATOR		
ABA NO:123456789 FINANCIAL INSTITUTION: WELLS FARGO BANK NA		
FINANCIAL INSTITUTION ACCT NO:123123123 ACCT TYPE: C		
PRENOTE IND: Y PRENOTE DATE:		
EFF START DATE: EFF END DATE: LAST PAID DATE: 051900		
LAST PROC DATE: 122099		
INTERRUPT:		
Z06 RECORD SUCCESSFULLY RECALLED		
PLEASE ENTER FUNCTION		
PF8=RECALL/NEXT USING VENDOR SORT SEQUENCE		

If you have STARS security access to view the Vendor Edit Table (S021), you can determine the vendor's EFT status. Viewing confidential bank information, such as the ABA No., the Financial Institution, the Financial Institution Account No., and the Account Type, is limited to authorized SCO personnel. You can determine the EFT status by the prenote indicator.

Valid Prenote indicators are:

Indicator	Description
P	Data entry for prenote information.
S	Prenote sent to the bank.
Y	Six-day waiting period is complete; payments will be EFT.
R	Account or ABA information invalid, prenote rejected. Future payments made with warrants.
Space	No EFT on vendor.

BANK VERIFICATION

When setting up an EFT for a vendor, a Bank verification letter can be accepted in place of a voided check or for non-checking types of bank accounts. Bank verifications must originate

from the recipients financial institution on their letterhead. The verification must include the vendor's account number, account type and the institution's ABA routing number.

NOTICES OF CHANGE

Invalid account information will be rejected by the vendor's financial institution and generate a notice of change which is routed through National Automated Clearing House Association (NACHA) network to STO. Payments or prenotes will reject for reasons such as closed account, invalid account or ABA data, account unable to locate, no prenote on file, payment refused by receiver, or duplicate entry. The notices of change must be investigated to determine what account information has changed. The notices of change are sent from STO to SCO and could be one of three different types:

1. Prenote information is incorrect and the correct information is provided. SCO personnel will then enter the correct information on the Vendor Edit Table – SO21 and the prenote starts over.
2. Prenote information is incorrect and the correct information is not provided. SCO personnel will enter an 'R' in the prenote indicator field on the Vendor Edit Table – SO21, notify the original requesting agency of the problem and provide all available information. The agency is then responsible for obtaining corrected information. After the corrected information is received and entered by the SCO, the prenote process starts over.
3. A previously valid EFT account has been closed or the account information has been changed. SCO personnel will enter an 'R' in the prenote indicator field on the Vendor Edit Table – SO21, notify the original requesting agency of the problem and provide all available information. The agency is then responsible for obtaining corrected information. After the corrected information is received and entered by the SCO, the prenote process starts over.

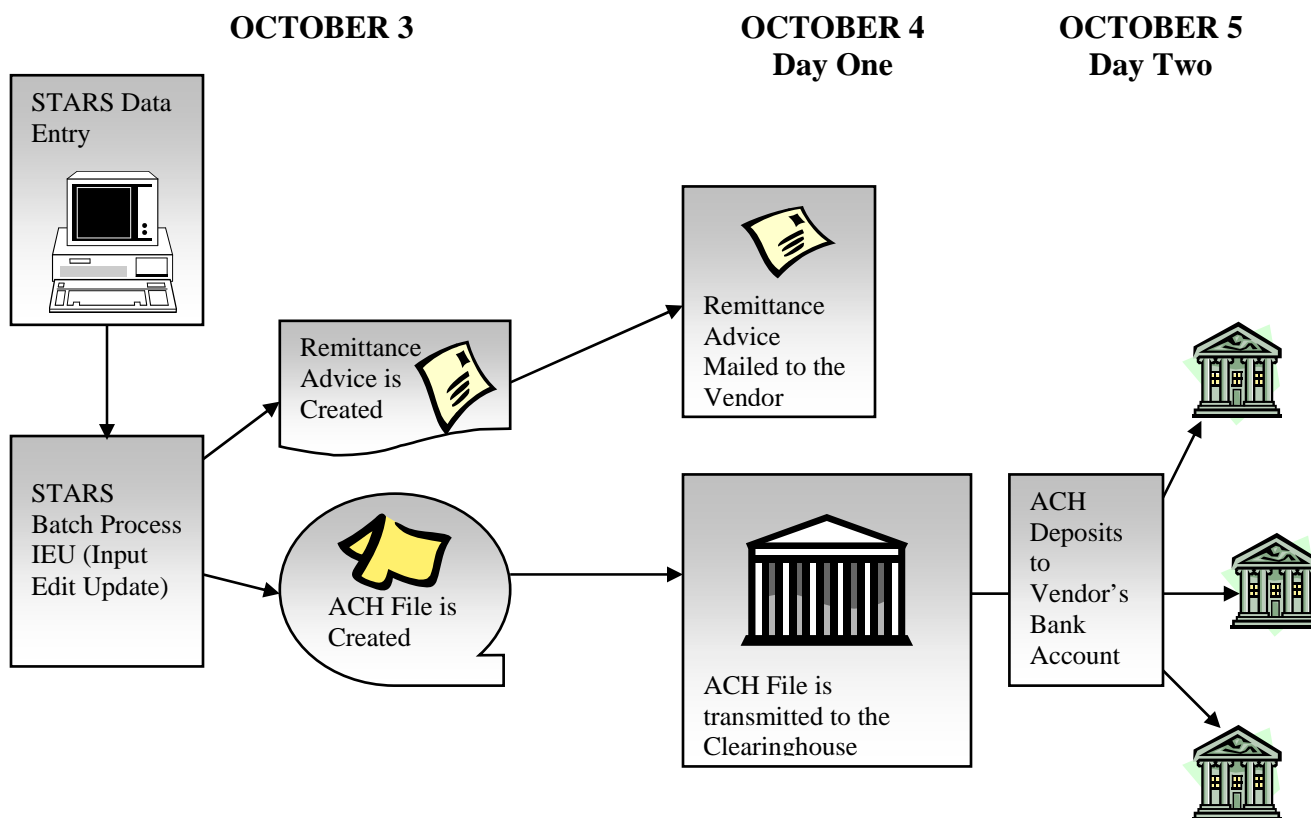
Until the new account information successfully completes the prenote process and the prenote indicator on the Vendor Edit Table – SO21 is 'Y', the vendor will continue to receive warrants.

PAYMENT PROCESS

The STARS nightly batch processing (IEU input-edit-update) creates an ACH file that includes all EFT transactions and prenotes generated that day. Each EFT transaction and prenote is assigned an EFT number which is similar to a warrant number but is in the sequence 010000000 – 099999999. STARS also creates a paper remittance advice that is mailed to the vendor the morning after the batch process. If the remittance advice has an 'L', it is returned to the agency for them to forward. Also on that day, the managing financial institution picks up the ACH file electronically and forwards to the vendor's appropriate financial institution. The day after the ACH is picked up, the EFT transactions are posted to the vendor's accounts.

Example: (Assuming no weekend or holiday) On Oct. 3 agency 200 enters a transaction to pay Fishers Office Supply \$200. The IEU creates an ACH file. The morning of Oct. 4, the managing financial institution retrieves the ACH file from the SCO. The file is processed through ACH and on to the receiving financial institutions. Oct. 5, \$200 is deposited into Fishers bank account.

PAYMENT PROCESS OVERVIEW



Payments or prenotes with incorrect bank account information generate a notice of change and return through the ACH channels, crediting the Treasurer's bank account. The STARS warrant cancellation process will then be applied to those EFT transactions and notifications will be sent to the originating agency. (See [WARRANTS AND CANCELLATIONS](#) for additional information.)

The prenote indicator of the rejected payment's corresponding vendor will be set to 'R' eliminating any further EFT payments. The agency must resubmit the payment transaction for that vendor through STARS. The vendor will then receive warrant payments until the corrected bank account information is resubmitted and the prenote process is successfully completed.

REMITTANCE ADVICE

The EFT file formats used by the SCO have a very limited ability to provide electronic information about the EFT payment. Therefore, EFT payments generate a remittance advice that is very similar to the remittance advice that is mailed with Idaho State Warrants. The remittance advice, which is mailed to the address on the Vendor Edit Table – SO21, serves as notice to the vendor that an EFT payment has been deposited in their bank account and provides detailed transaction information on the payment. Transactional information can include invoice number, account number, description, and amounts.

DISBURSEMENT METHOD INDICATOR (DMI)

Payments to EFT vendors cannot be returned to the agency. However, remittance advices can be returned by entering an 'L' (low-volume) disbursement method indicator. A low-volume DMI will return the remittance advice to your agency through Statehouse Mail. An 'L' is not recommended unless you have enclosures that must be mailed with the remittance advice.

SPECIAL TREATMENTS AND CONCERNS

The EFT transaction processes the same as any other expenditure payment (refer to the [EXPENDITURES AND DISBURSEMENTS](#) chapter). The transaction will post against all files and financial reports in the same manner as any other payment. The transaction will report on the transaction registers just like any other warrant payment. Corrections to any electronic payment transactions require no special treatment from normal procedures. Once an EFT is established for a vendor number/suffix combination, all payments to that vendor number/suffix will be by EFT.

ELECTRONIC FUNDS TRANSFER (EFT) - SOLVING COMMON PROBLEMS

A VENDOR IS OVERPAID USING EFT

Once a payment is processed and transmitted by EFT and accepted by the vendor's financial institution, the monies cannot be recouped without the vendor's intervention. In other words, the EFT transmission is similar to a redeemed warrant. The State cannot take money out of a vendor's bank account once it is deposited. You must notify the overpaid vendor and request either a credit or a check for the overpayment. (See the [CASH RECEIPTS](#) chapter of this manual for procedures to process cash refunds; TC's 105 or 106.)

VENDOR CALLS TO FIND OUT WHAT HAS BEEN PAID

Vendors often call following receipt of an EFT to ask about how to apply the payment. Remember, the information records are not sent electronically. The transaction information will follow in the mail on a paper a remittance advice. The following steps may help you find out what has been paid:

1. Get the 'E' warrant number that will fall in the number range of (010000000-099999999). This is the EFT number. It is very similar to a warrant number except it will have an 'E' followed by a nine-digit number beginning with a 0 (zero).
2. Get the vendor's name for verification purposes.
3. On the STARS main menu, enter 'W' in the Function field and press ENTER to go to the Warrants menu.
4. On the Warrants menu, enter 47 in the Function field and press ENTER to go to the Warrant Status File Maintenance/Inquiry.
5. Type in 'R' in the function field and enter the EFT/Warrant number (do not enter the 'E') in the Warrant Number field and press ENTER.
6. Once the detailed information is recalled take note of the agency number.
7. Interrupt to the 48 screen. Type in 'R' in function field, enter the agency and warrant number, then press ENTER. You should now see more detail regarding the EFT payment including the invoice number.

VENDOR REQUESTS THE CANCELLATION OF THEIR EFT PARTICIPATION

To cancel EFT payments, the vendor must submit a signed VENDOR-21 requesting the cancellation of the EFT participation. Fill-in the SSN or Federal EIN number and write 'CANCEL EFT' across the front of the form and submit it to the SCO. Once the form is received by the SCO, the Vendor Edit Table (S021) will be updated by entering an 'R' in the prenote indicator field. Press enter and no additional EFTs will be generated.

EFT FORMS – HOW TO COMPLETE

Use STARS VENDOR-21 form to setup a vendor for EFT payments. This is a dual-purpose form used to setup vendors for payments from the state in the form of either a warrant or electronic deposits. [Click here to download the VENDOR-21 form.](#)

In addition to the payee/business/individual/vendor information, an account number, an account name and the type of account must be added to the form before the vendor is setup for electronic payments. The form must have a signature of an authorized signer on the account receiving deposits.

WHERE TO SEND THE FORMS

Three documents are required to enroll in the EFT program: (1) a one-page enrollment form ([VENDOR-21](#)), (2) a [W-9](#), and (3) a voided check (not a deposit slip) or bank verification for a checking account, or a voided deposit slip or bank verification for a savings account.

NOTE: Either an actual voided check (for checking) or an actual voided deposit slip (for savings) is required. Photocopies cannot be accepted.

Please mail the completed (and signed) forms, together with the voided check or bank verification to:

Office of the Idaho State Controller
Attention: Accounting Operations
P.O. Box 83720
700 West State Street
Boise, ID 83720-0011

STATE AGENCY INITIATES AND SUBMITS FORMS TO THE SCO FOR THE VENDOR

The agencies need only to submit a completed and signed VENDOR-21 and either a voided check or bank verification to the SCO. You should maintain the original W-9 at your agency. Be sure to fill out the VENDOR-21 from the data on the W-9.

VENDOR REQUESTS EFT DIRECTLY TO THE SCO

When vendors' make a request to sign up for EFT directly to the SCO, they will have to submit all three documents.

1. Vendor 21
2. W-9
3. Voided check or bank verification

The SCO requires original signatures on the W-9 and VENDOR-21.

STATE EMPLOYEES BEING SET UP FOR EFT

Direct deposit information provided to EIS does not automatically transfer to STARS. Therefore, if a state employee wishes to have reimbursement of miscellaneous expenses (like travel reimbursements) by EFT, the EFT must be set up in STARS on that employee's social security number. The state employee must complete and submit to the SCO the following documents:

- A Vendor – 21 form.
- A voided check (not a deposit slip) or bank verification letter for a checking account.
- A voided deposit slip or bank verification letter For a savings account.

State employees are not required to complete a W-9 in this process. EFTs cannot be set up on State employees until after EIS has successfully set up that employee in EIS.

EFT REPORTS

An Electronic Deposit Confirmation Report prints daily with information regarding EFT transmissions. The STO and the SCO receive a copy of this report. The Statewide Requestable Daily Warrant Register (DAFR4850) contains EFT numbers. (See the [WARRANTS AND CANCELLATIONS](#) chapter in this manual for the details of the DAFR4850 report.)

NOTE: The range for EFT numbers is 010000001-019999999.

The SCO control reports or online data sets that process daily from the EFT process are:

<u>Report</u>	<u>Description</u>
DAFR0187	Vendor Prenotes sent to the Bank
DAFR0188	Electronic Deposit Confirmation Report Shows the total amounts being sent to the bank.
DAFR0195	Bank File Summary Report